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ADDRESSES
OF THE
PRESIDENT OF THE
UNITED STATES

AND THE
DIRECTOR OF THE BUREAU
OF THE BUDGET

AT THE
SECOND ANNUAL MEETING OF
THE BUSINESS ORGANIZATION
OF GOVERNMENT

IN THE
AUDITORIUM OF THE
NEW NATIONAL MUSEUM

July 11, 1922



WASHINGTON
1922

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ADDRESS OF THE PRESIDENT.

GENTLEMEN OF THE GOVERNMENT'S BUSINESS ORGANIZATION:

It is with sentiments of especial satisfaction that I come before you to-day to address the second annual meeting of executives constituting the business establishment of the Government. It is a satisfaction, because I am privileged to acknowledge your very great accomplishments in behalf of better administration and of governmental economies which have been effected within the year by reason of this new step toward better business organization in the Government. To-day's is the third meeting of the representatives of the Government's routine organization and the second annual meeting. At this first milestone we pause to examine to what extent our early expectations have been realized. I think that due examination must show that we have been on the right track, and we may proceed with renewed assurance along the highways of governmental economy and efficiency.

The report of the Director of the Bureau of the Budget for the fiscal year ending June 30, 1922, is a record of real achievement of which you may all be proud, for without your intelligent and hearty cooperation this gratifying result would not have been possible. Last August it was estimated, on information furnished by those speaking for the spending agencies of the Government, that withdrawals from the Treasury for the fiscal year just terminated would be \$4,554,000,000. The last Treasury estimate shows this figure was reduced to \$3,795,000,000, a reduction of \$759,000,000.

The best estimate of receipts for the current fiscal year is \$3,074,000,000, while estimated expenditures are placed at \$3,771,000,000, an apparent excess of expenditure amounting to \$697,000,000.

But the past year's experience has demonstrated that we need not be unduly concerned over such prospective deficits when we have the benefit of the Budget organization and of your cooperation. Last year, in the annual report on the Budget, a deficit of \$24,000,000 was forecasted; instead we closed that fiscal year with a surplus of receipts over expenditures amounting to \$313,000,000. This despite that the Government's receipts in that year fell off \$1,515,000,000. That is, the Government reduced by \$1,515,000,000 the amount which it collected from the people, and yet, because it was able to prune

its expenditures by \$1,743,000,000, it produced an actual surplus. That is certainly a gratifying accomplishment, which ought to inspire every one of you to continuing and greater efforts in the coming year. There is an offset due to last year's operations of \$272,000,000, which represents the general balance in the Treasury at the close of the fiscal year 1922.

The prospective net deficit of \$425,000,000 for the current fiscal year is a challenge to us all. We must here resolve that through our efforts expenses will be kept within income. There must be utmost economy. There have been established those business principles and procedures which are capable of bringing further economy during the current year, and I look to the Government's executives for still closer scrutiny of their activities and attendant expenditures. If in your jurisdictions you find activities and expenditures that can properly be curtailed or eliminated, I admonish you to do it; if the laws do not leave it within your power to do this, submit it to the President for recommendation of congressional action. The business head of the Government does not and can not contemplate or expect that expenditures this year will exceed income. If they do, it will be regarded as most unfortunate; and therefore I bespeak your fullest cooperation.

The work of the coordinating boards has emphasized the great need to consider the Government's business as a whole rather than as an uncorrelated organization of loose parts. Every one of you needs to realize that your services belong to the Government as a whole, and not to the subordinate part of it to which you happen to be attached. We need broader vision to get this full picture, and the coordinating boards have been helping us toward it. They have been developing a real esprit which was formerly almost completely lacking. Of this, General Lord, the new Director of the Budget, will tell you in more detail.

During the fiscal year just closed deficiency and supplemental estimates amounting to \$661,251,409 were submitted to Congress. Many were unavoidable, because of war-time conditions; but as the war recedes we should have constantly less occasion for deficiency estimates. Congress chafes under these conditions, and executive policy can not countenance abuses in this direction. After the Civil War the deficiency habit became so strong that Congress enacted an "anti-deficiency act," with which you are all familiar, and with which the Executive expects a wholehearted compliance. I can not overstate the importance of this policy, and responsible officials will be held strictly to account for its observance.

In one Government department a portion of each appropriation is set aside at the beginning of the year as a "general reserve" against which no obligations can be set up except by the specific authority

of the department's head. The department is then restricted to the balance remaining, the reserve being drawn upon only for unforeseen contingencies. I earnestly recommend this procedure to all of you.

The total estimated appropriations for 1923, including supplementals, were \$3,911,448,000, including the Postal Service; while total appropriations amount to \$3,747,035,000, a reduction of \$164,413,000 from the estimates, exclusive of about \$60,000,000 not estimated for in the Budget. The difference is relatively small, considering that estimates for the fiscal year just closed were nearly \$1,000,000,000 more than the appropriations. It is hoped that with more experience, estimates and appropriations may be brought still closer together.

The alternative budget submitted under this act has brought together for the first time in one bill all the appropriated funds of each department, so that it is no longer necessary to search a number of bills in order to learn the appropriation for a department.

The Comptroller General has issued a classification of objects of expenditures which became effective July 1, and is the first step toward a uniform accounting system, so urgently needed.

The preparation of estimates for the fiscal year 1924 is the next immediate duty. For that year, estimated receipts are \$3,198,000,000, or approximately \$600,000,000 less than the appropriations for the current year plus authorizations for expenditure not included in the appropriations. We must all keep constantly in mind that the probable receipts for 1924 will not permit as liberal appropriations as for 1923. In that connection, I may say frankly to you that I will not send to Congress estimates exceeding the probable receipts of the Government, and I must warn you that unless you use your pruning knives, the Executive will be compelled to cut deeply the estimates presented.

Our country is one of the few in the world which is now paying its way as it goes, and I must regard with disfavor any tendency to interfere with this condition or to increase taxes.

As heretofore, the Director of the Bureau of the Budget will have the full support of the Executive, and I bespeak for him your cheerful and wholehearted support. The blazing of the path of economy is no easy task. Expenditure is too often applauded, where earnest watchfulness for economy goes unnoticed, except for complaint. But there is a great compensation for the service done. It lies in the consciousness of doing the thing necessary to make government more stable, to make burdens less difficult to bear, and to make our Government an example to others and an example to the citizenship which it is meant to serve.

NOTE.—For remarks of the President at the close of the meeting see page 25.

ADDRESS OF GEN. H. M. LORD, DIRECTOR OF THE BUREAU OF THE BUDGET.

MR. PRESIDENT, GENTLEMEN OF THE COORDINATING BOARDS, AND
MEMBERS OF THE BUSINESS ORGANIZATION OF THE GOVERNMENT:

June 10, 1921, the President approved an act of Congress which gave the United States Government a budgetary system. December 5, 1921, the President submitted to Congress the first Budget under this act.

This, however, was not the first real budget submitted to an American Congress. January 5, 1790, Alexander Hamilton, the then Secretary of the Treasury, submitted to Congress a complete actual budget—a detailed statement of expected income and proposed expenditure for that fiscal and calendar year. There were also in this budget statements covering the condition of the Treasury and recommendations for the raising of additional funds which would be necessary if the program of expenditure were approved by Congress. This budget of 1790 was enacted into law as one complete measure carrying all of the appropriations of the Government. This simple business procedure was continued until 1794, when a process of decentralization began. Some of the fundamental budgetary features were continued for 30 years, but the process of decentralization continued until the budget law of 1921 went into effect, when, instead of one appropriation bill covering the Government's activities, there were 14 independent bills considered by 8 independent committees.

Under this unfortunate decentralization of the Government's estimating and appropriating activities there was necessarily a lack of coordination in our Government's finances and its financial operations, which finally compelled the adoption of a system which in its fundamentals approximates the system instituted by Alexander Hamilton 132 years ago.

To get a proper conception of the problem that faced the administrators of the Budget and accounting act, it is necessary to discuss in some detail the procedures that obtained under the decentralized system of estimating, appropriating, and expending prior to the fiscal year 1922.

With the beginning of each fiscal year the work of preparing estimates for funds for the year which began 12 months later engaged

the attention of departmental officials who were charged with this work. These great departments of the Government comprise within themselves many and varied activities. For the purposes of administration they are organized into divisions, branches, sections, and subsections. At the head of these divisions and branches were officials who had the definite conviction that the one urgent need of the hour was to secure sufficient funds to permit their activities to function to the fullest extent, without regard to the needs of other departments of the Government or the condition of the Treasury. While there were shining exceptions, in most instances the estimates as finally submitted to the head of the department reflected the collective opinion of various subordinates in the department interested almost exclusively in their own activities. I am not criticising these faithful, able, and devoted Government officials because they are interested in the governmental activity with which they are connected. If they are not interested in their own special tasks, they are very indifferent Government servants and should be separated from the service. Their initiative and pride of accomplishment and sense of the dignity of their jobs should be controlled and directed, not eliminated, but until the establishment of the Bureau of the Budget there seemed to be no agency of direction or control. Congress recognized this condition of affairs, and in 1913 attempted to remedy it by enacting a law providing for the selection by the head of each department or independent establishment of an official charged with the duty of supervising the classification and compilation of estimates, but this law failed to accomplish in the measure expected the purpose for which it was enacted. There were, however, honest and intelligent attempts to study, classify, and modify the estimates, but it was rather expected that the estimating agencies would ask for all they thought they could get, and it was thought in many cases bureaus asked for more than they needed in order to allow for congressional reduction. As a result of this lack of systematic, scientific, and intelligent study, the estimates have very generally been much greater than the appropriations. From 1890 to 1922 the estimates submitted to Congress by the various spending agencies of the Government were \$23,000,000,000 in excess of the amounts appropriated. In all these years Congress has been the only barrier between the Treasury and trouble.

These estimates from the various departments and bureaus, prepared in this unscientific way, were forwarded to the Secretary of the Treasury, who gathered them in a so-called Book of Estimates and, without further consideration, submitted them to Congress, which was all that he was expected to do and all that he could do under the authority given him; so that whatever may have been accomplished in the departments in the way of study and analysis

of the estimates, there was absolutely no comparison of the estimates from one department with the estimates from the other departments, for the purpose of eliminating duplication of effort and consequent expenditure, and again there was no comparison of the estimates of proposed expenditure with probable revenues for the period for which the estimates were prepared with a view to the modification of such estimates and their adjustment to Treasury conditions.

CONGRESS AND THE ESTIMATES.

These estimates, carrying various expensive schemes and costly experiments, swollen beyond reason in the endeavor to give Congress something to cut—these estimates brought together in the Book of Estimates—a collection, in many cases, of guesses without proper study, without comparison, with little or no pruning, compiled without regard for the condition of the Treasury, without consideration of the taxpayer and his troubles, without fitting into or having much of any relation to any definite Government policy, were dumped upon a suffering Congress, which then proceeded at great expense of time and labor to hold extended hearings, study the estimates in detail and make reductions apparently warranted.

As there had been no coordination between the estimating agencies in the executive bureaus, so because of the decentralized organization of the appropriation agencies of Congress there could be little or no coordination in the appropriating of funds.

UNCOORDINATED EXPENDITURES.

As there was little coordination of estimating and little or no coordination of appropriating, so there was little or no coordination of expending. In process of time these estimates came out of Congress more or less battered and shot to pieces in the shape of appropriations and took their places on the statute books and the departments began an era of uncoordinated expenditure. During all of this faulty process these bills had not been permitted to cultivate any sort of real acquaintance with the Treasury; the appropriations were made, spending departments had their check books ready, and the Treasury must find the money no matter how great the amount. There was too seldom a definite fixed policy and too often little or no control in the Government departments of obligations and expenditures.

AUDIT OF EXPENDITURES.

The law did, however, compel the submission of expenditure vouchers to the accounting officers of the Treasury for audit, but that audit was made after the obligations had been incurred and the expendi-

tures made, and was limited to ascertaining whether or not the obligations had been incurred and the disbursements made in accordance with the law, whereas millions can be and have been wasted illegally. If a disbursing officer paid for a pair of shoestrings from the wrong appropriation, the error was invariably detected, reported, and corrected; but if an unnecessary purchase involving millions of dollars was effected or ten times too much paid for an article, and settlement therefor made from the proper appropriation, neither the unnecessary expenditure of millions nor the extravagant, improvident price paid for the article called for action of any sort.

It is almost incomprehensible that those charged with the administration of governmental affairs should have allowed this lamentable condition of things to continue for so long. The reason probably is that what is everybody's business is nobody's business, and we were so wealthy that notwithstanding the defects of our obsolete financial system we generally ended the year with a balance on the right side of the ledger; then, too, in those palmy days we knew nothing of real taxation; but the World War changed all that. Inadequate and inefficient procedures and methods are deplorable when the amounts involved are confined to millions, but when millions swell into billions, failure to revise and correct such methods would be disastrous and indefensible.

In summarizing, as I have done, the conditions which existed prior to the commencement of operations under the Budget and accounting act my sole intent has been to make plain the revolution which has taken place in the business of the Government since the enactment of this legislation. A little more than one year ago a new era was inaugurated; the President for the first time in the history of this country took his logical place as the head of the business organization of government and assumed all of the great responsibilities devolving upon this direct leadership. Through the machinery provided for him scientific methods were inaugurated in the estimating of funds and the expenditure thereof and coordination was established in the routine business organization. This has required Executive pressure, which must be maintained if from the admirable foundation already laid we are to continue the policies of greater economy and efficiency and carry them through until full and complete results have been achieved.

The Budget and accounting act is not itself a magic wand that waves out all these faulty procedures and beckons in the financial millenium. Habits, customs, regulations, laws that the passage of a hundred years or more has built into the very machinery of the Government are not eradicated over night. The most flagrant faults will be corrected first, but it must be a continuing process, that will require

years of patient, persistent, and courageous endeavor, with the unwavering, vigorous support of the Executive.

THE NEW PROCEDURE.

Under the new procedure instead of the many estimating agencies within the various departments and bureaus there is required by the Budget law the appointment of a Budget officer by the head of each department and independent establishment of the Government, who is charged with the preparation of all estimates. The creation of these Budget officers was considered of primary importance by those who were particularly responsible for the enacting of the Budget legislation, and the spirit of the act can not be fully carried out unless the men filling these important positions are officials of sterling ability, of standing in their branches, and are given an absolutely independent status as far as Budget operations are concerned. The Budget officer is the fiscal officer of his department. In matters pertaining to the Budget he must be subordinate to the head of his department alone, and should report to him directly.

PRIOR EFFORTS AT CORRECTION.

We must not, however, overlook the fact that there were occasional John the Baptists crying in the wilderness of faulty Government procedure and calling attention to a new and more excellent and effective way of doing these important things. President Taft, during his occupancy of the White House, succeeded in getting an appropriation from a reluctant Congress to make a study of Government organization with a view to establishing more efficient and economical procedures. He established a Commission on Economy and Efficiency which submitted a careful and informative report to Congress and recommended the installation of a budgetary system in our Government. Congress pigeonholed the report and abolished the commission, but the money and effort involved in this attempt to remedy the flagrant condition of the Government's financial operations were not entirely unproductive, for out of that attempt was developed a strong sentiment among the people and the business organizations of the country in favor of a budgetary system for the Government.

The estimates, prepared by the Budget officers and approved by the department heads, are submitted to the Bureau of the Budget, where they are given microscopic examination and analysis by special investigators familiar with the organization and operations of the various agencies of the Government, acquainted with their functions and their mission, and who know what the bureaus have been doing

with their appropriations. Here the estimates of one department are compared with the estimates of other departments, duplications eliminated, and reductions and modifications made so as to fit them into the approved administrative policy. These estimates are also studied with an eye upon the condition of the Treasury of the United States and tax conditions.

This carefully prepared estimate is then submitted by the President to Congress for action with a statement of expenditures for the last prior year for which a complete report is available and estimated expenditures for the current year. The estimates are also accompanied by statements showing the condition of the country's finances and expected receipts, and if funds over and above the yield from established sources of revenue are needed the law requires that the President shall recommend what steps in his opinion should be taken to provide such revenue.

CONGRESSIONAL PROCEDURE REVOLUTIONIZED.

As a result of the enactment of the Budget law a great revolution has taken place in the organization of the House and Senate along appropriating lines. To-day all appropriations of the Government are made on bills reported to Congress from one committee, the Appropriations Committee of the House, and the Appropriations Committee of the Senate. This arrangement affords opportunity for comparing the estimates of one bureau with those of another, and permits consideration of the country's needs as one complete study by one committee acting for the House and for the Senate.

Under the operation of the Budget law the annual appropriations for each department now all appear in one act, and it is not necessary in order to find how much money is available for a department or agency to search through several different appropriation acts for that information. This is certainly a long step in advance along the road of adequate governmental financial procedure.

THE GENERAL ACCOUNTING OFFICE.

The Budget and accounting act provides for a General Accounting Office with a Comptroller General at its head. This office is charged with the duty of auditing all disbursements of public money and the settlement of claims not paid by disbursing officers. It is not only to prescribe the forms of keeping and rendering public accounts but is charged with devising the forms and procedures of administrative accounting in all branches of the service.

Heretofore each department and establishment of the Government has devised and installed such methods of keeping its accounts as it found necessary or desirable. There has been no uniformity,

with the result that there could be no satisfactory report of the receipts and expenditures of the Government as a whole. Financial statements were made in scores of annual and special reports from departments, bureaus, and other organizations, or by individual officers. Under the direction of the Comptroller General these conditions will soon change, and we shall have a complete picture of the Government's financial operations with a statement of audited receipts and expenditures soon after the close of each fiscal year.

The General Accounting Office and the Bureau of the Budget collaborated in the preparation of a system of uniform classification of objects of expenditure, which was put into effect July 1, and applies to every activity of the Government. This is the first step toward a uniform accounting system so necessary from the standpoint of economy and efficiency.

The General Accounting Office is an important part of the Budget and accounting machinery, and is independent of the executive departments. The tenure of office of the Comptroller General is such as to enable him to speak fearlessly and frankly. The information given by him to Congress and the public with reference to the receipt, disbursement, and application of public funds will be an important aid in improving conditions.

A PROVIDENTIAL SELECTION.

We have completed one full year under the new Budget and accounting act and it proved a very full and eventful year. In June, 1921, President Harding drafted Gen. Charles G. Dawes, of the Central Trust Co. of Illinois, as Director of the Bureau of the Budget. I use the word "drafted" advisedly, for General Dawes, a man of large affairs and in no sense of the word a candidate for public office, yielded to the President's request as a call to public service, which, as a patriotic citizen, he could not well decline. The President's choice was providential. Probably there is no man living to-day who possessed in such full measure the equipment and qualifications necessary for that important position at that critical time. With a reputation for integrity, ability, initiative, and courage, a vigorous and forceful personality, with prior governmental service as Comptroller of the Currency, with an enviable record overseas for important work along constructive lines which contributed in no small measure to the success of our arms, he from the very first was the absolute master of his tremendous task, and made the Bureau of the Budget from its inception what it was intended to be by the Congress that created it—a dominant factor in the Government's routine business operations. His contribution to the public welfare has been unselfish, impersonal, and nonpartisan,

and it is impossible to give adequate expression to the great importance of the service he has rendered this people and this country. And I do not wish to close this eulogy of General Dawes without a word of appreciation of those able men whom he drafted as his assistants. I think it is generally admitted that one of the most necessary qualifications of a great master of affairs is ability to select assistants wisely. This selective ability is one of the most notable of the Dawes traits. General Dawes, when called to this great task, sent calls in all directions for help, and there rallied around him some of the ablest business men of the country, who gave freely of their great talent to the public service. Preeminent among these was W. T. Abbott, a director in the Central Trust Co. of Illinois, of Chicago, who was the first Assistant Director of the Bureau of the Budget. Mr. Abbott brought to the solution of the perplexing problems that faced him an extraordinary fund of common sense and a rich legal and financial experience that proved of the greatest help to the Government. After leaving the Budget he continued as a member of the Tax Simplification Board of the Treasury Department, and while serving in that capacity was stricken at his post in the Treasury Department and passed on. Mr. Abbott endeared himself to all who came within the sphere of his activity. Hopeful and helpful, those who knew him best loved him most, and it is certainly most fitting that at this meeting of the business organization of the Government appreciation of his services be included in the record.

His successor as Assistant Director of the Bureau of the Budget was Col. J. C. Roop, who most efficiently filled that position until his resignation June 23, 1922. Colonel Roop came under General Dawes's observation overseas where they were associated in great supply activities. He is a keen analyst, a man of most excellent judgment, and proved a tower of strength in the Budget.

AN ECONOMY CAMPAIGN.

One of the primary duties of the Director of the Bureau of the Budget is to see that sufficient funds are secured from Congress to properly finance the operations of the Government in carrying out the policy of the President and the administration—sufficient funds and no more. When the present Budget law went into effect, however, the condition of the Treasury and the burden of taxation made an immediate campaign of retrenchment necessary. Congress was committed to a reduction in taxation and the people of the country expected it, but the estimated expenditures compared with the expected income was a threat rather of increased taxation than a promise of reduction. Looking at the situation as a business man

the Director of the Bureau of the Budget reached a business man's conclusion, and that was that the Government's outgo must be within its income, either by actual savings or by a postponement of expenditures until the Treasury was in a better condition to meet them. Then was launched that retrenchment campaign which was to make governmental economy fashionable and extravagance dangerous. The representatives of the obligating and spending agencies of the Government were called into session by the President of the United States as the head of the Government's business organization, the condition of the Government's finances was presented, and the help of all present enlisted in a real savings movement.

REAL SAVINGS MOVEMENT.

The Secretary of the Treasury in August, 1921, stated that the expenditures for the fiscal year just closed, as estimated by the executive bureaus, would be \$4,554,000,000. The daily report of the Secretary of the Treasury for June 30, 1922, the end of the fiscal year, reports actual expenditures for the year of \$3,795,000,000, a scaling down of \$759,000,000, a most extraordinary and creditable achievement. This could not have been accomplished without vigorous Executive pressure, the great driving power of the first Director of the Budget and the cooperation of the executive bureaus. Of greater value, however, than any particular saving in dollars and cents is the permanent installation of a policy of economy in Government business, and the acceptance of this policy by the executive bureaus. The entire personnel of the Government must learn, if it has not already taken the lesson to heart, that economy is the approved policy and that extravagance of any sort is dangerous business. During this current fiscal year all proposed expenditures must be given the closest scrutiny, and no wasteful, extravagant, or unnecessary expenditures should be allowed to pass unchallenged; and, further, no obligation should be incurred this fiscal year that can be postponed without serious detriment to the public service. The President has substituted a competition in saving for a competition in spending, and where billions are involved this is a most timely and admirable substitution. Hereafter the measure of value and worth to the Government of a public official charged with the administration of public funds will be not the amount he spends but the amount he saves, and this saving to be made not with loss of efficiency but with gain in efficiency, and these two are not incompatible. The Budget law gave the President an agency for imposing policies of economy on the Government's many establishments, an agency which he is utilizing and proposes still to utilize for the purpose of saving millions of dollars of the people's money.

LACK OF COORDINATION.

One of the most productive causes of waste in the transaction of the routine business of the Government was the entire absence of any coordinating authority. This demanded the setting up of coordinating machinery, which was effected by Executive order creating a Chief Coordinator and subsequent Executive orders establishing under him various coordinating agencies to deal with the larger functions of the Government's routine business.

SALES OF SURPLUS PROPERTY.

The study by the Bureau of the Budget of sources of revenue revealed the fact that there was in possession of the various bureaus surplus property that had a marketable value. Some of this property was deteriorating and much of it held at a continuing expense for care and preservation. There was no uniform method of disposing of this accumulation of munitions. Each holding agency was carrying on its sales in its own individual way. Governmental agencies in some instances were buying in the market at the market price supplies that had recently been sold by other Government agencies at a sacrifice. To correct this condition of things there was established by the President, under the supervision of the Chief Coordinator, a Federal Liquidation Board to coordinate the sale of all surplus property, to provide for transfers between the various bureaus and agencies, to knit the sales activities of the several departments concerned in the liquidation of stocks into a Federal business association, and to install practical business methods in the Government's selling agencies.

In the General Supply Committee of the Treasury Department there exists complete lists of all surplus Government property, and Government agencies, before buying in the market, are required to first submit their needs to that office to ascertain whether the articles or suitable substitutes therefor are available and the transfer economical, due regard being given to location of stocks and point of requirement. In the event that the required articles or suitable substitutes can be provided from surplus stocks the money value thereof is saved to the Government and put back into the Treasury. There were transfers of this character during the last fiscal year valued at \$147,297,000. The estimated savings on these transfers amounted to \$44,546,335.

The following examples will prove interesting and informative:

The Engineer Department of the Army required certain dredges in its dredging operations which would have cost \$349,500. Surplus boats in the hands of the Quartermaster Corps, which if sold would

realize but a small fraction of their value, were transferred to meet this need and the money saved.

The Lighthouse Service of the Department of Commerce had an appropriation of \$1,500,000 for the purchase of lighthouse tenders. The Lighthouse Service was furnished Army mine planters which were readily convertible into lighthouse tenders and the appropriation of \$1,500,000 conserved. The Army mine planters had little or no market value, and if they had not been utilized for this purpose would have been left rotting at the docks under continuing expense to the Government.

In addition to its utilization of stock on hand, as shown by the records of the General Supply Committee, and by actual check of property in question for transfer to obviate expenditure, the Federal Liquidation Board has systematized and materially accelerated the sale of surplus property. One department of the Government had a large number of leather jerkins in its reserve stock. Through the investigation of the Chief Coordinator and his representatives it was found that these were deteriorating in storage. This matter was brought to the attention of the holding department. The jerkins were declared surplus and sold, and \$1,740,650 turned into the Treasury as proceeds of the sale.

The attention of the War Department was called to the large portion of its reserve stock of nitrates occupying leased storage, with the result that the Ordnance Department declared surplus some 81,000 tons of nitrate, which was costing the Government annually \$88,459, and sold it for the sum of \$2,750,000, which sum was turned into the Treasury and the rental of \$88,459 and other attendant expenses saved. At a later period, attention having been drawn to the matter of nitrates, the Ordnance Department of its own volition declared surplus an additional 40,000 tons, with corresponding resultant saving.

There was turned into the Treasury of the United States from sales of surplus supplies during the fiscal year just closed the splendid total of \$90,000,000. The estimated total of prospective receipts from sales of surplus property for the current fiscal year as furnished by the selling departments amounts to \$80,000,000.

It would seem, considering the enormous amount of surplus property held by the departments, particularly the war-making establishments of the Government and the United States Shipping Board, that this amount should be materially increased, and if it can be increased it certainly should be in view of the fact that the estimate of expenditures compared with the estimated receipts for the current fiscal year emphasizes the urgent need of additional revenue. I invite the attention of the Federal Liquidation Board to this condi-

tion of things with a view to giving new impetus and encouragement to its intelligent and patriotic effort to sell to the best advantage the Government's large accumulation of surplus property. I can think of no more constructive and helpful work for the Government at this time than the speeding up of the disposition of its surplus munitions, and I trust the efforts of the Federal Liquidation Board in this direction will have the enthusiastic cooperation of the departments and establishments holding this property. This activity—the conversion of surplus property into needed revenue—will have the especial consideration of the Director of the Bureau of the Budget.

FEDERAL PURCHASING BOARD.

Another important activity in the work of coordination is that of Government purchasing. In the field of procurement the Government agencies have certainly run riot. In the Treasury Department there were found to be 26 uncoordinated purchasing agencies, in the Agricultural Department 18, and so on through the length and breadth of the Government service, with one or two exceptions, notably the Navy Department, where purchases were highly coordinated. It was only necessary to bring these matters to the attention of the departments concerned. In the Treasury Department, on the initiative of the Secretary of the Treasury, the various purchasing agencies are being consolidated and reorganized along efficient lines. In the Department of Commerce this consolidation has already been effected. In the Interior Department it is in progress. In the Department of Agriculture the organization has been set up and is rapidly becoming effective.

REAL ESTATE COORDINATION.

There is no available consolidated record to-day of the real estate, buildings, blocks, warehouses, wharves, and other property belonging to the Government. The Government's annual storage and rental bill runs into millions, but until under the Budget a coordinator was appointed charged with the task, there was no person or agency to make an economical use, disposal, and distribution of such real estate and housing and storage facilities. In the same cities Government space controlled by one Government agency stood unutilized while another Government agency paid good Government money for rented space that was not so well suited for the purpose.

There is being prepared by the Real Estate Board a complete tabulated list of the Government's real estate holdings. This task, as gigantic as it is important, is to-day 80 per cent completed, and the Government will soon know for the first time in history how much realty it owns.

As a result of this coordinating work by the surveyor general of real estate and the Federal Real Estate Board operating under the Chief Coordinator, many thousands of dollars have been saved to the Government.

For example, space was found in the army depots at South Boston and South Brooklyn for the storage of seized liquor, enabling the Government to cancel leases for storage that were costing \$275,000 annually. Government quarters were found for scattered Government activities in Chicago which permitted the cancellation of leases costing the United States \$200,000 annually.

FEDERAL TRAFFIC BOARD.

The Government's annual transportation bill is approximately \$80,000,000, exclusive of the Post Office Department. One would think that somewhere, at some time, somehow there would have been established some agency to act for the Government as a whole and exercise supervision over this tremendous business, but as with all other important governmental activities so in this field of expenditure there was no agency whatever charged with the duty of protecting the interests of the United States. That has now been changed, for under the Director of the Bureau of the Budget, acting through the Chief Coordinator, there has been established a Federal Traffic Board which has assumed intelligent and authoritative supervision over the 26 Government departments and establishments authorized to obligate and expend Federal money for the transportation of supplies and persons.

Under the new method, proposed routings of shipments are submitted to the Federal Traffic Board for recommendation, where they are studied in the light of experiences of other Federal agencies and submitted to the scrutiny of experts in traffic matters. Quite recently a Government department recommended the routing of 25 carloads of coal from Kentucky to Chicago. The Federal Traffic Board recommended a modified routing that saved the Government $17\frac{1}{2}$ cents per ton.

A shipment was made of hospital supplies consisting of food containers, instrument tables, laundry bags, bed screens, and one human skeleton. No separate weights were shown and the total weight was given as 13,600 pounds. Because of the failure to properly classify, weigh, and ship, the rate of the skeleton, which was three times first-class rate, was applied to the entire lot, which was shipped at a minimum of 20,000 pounds.

Realizing that this carelessness in routing, failure to properly classify, failure to take advantage of land-grant rights, failure to utilize the most economical methods of shipment and routes, failure to properly discriminate between what should be expressed and

what should be sent by freight—realizing this condition of things has obtained all through the years, we stand appalled at the thought of the waste that has resulted. Fortunately that era is ended, for to-day there is intelligent supervision over the Government's traffic activities.

A BOARD OF CONTRACTS AND ADJUSTMENTS.

By far the greater portion of the vast sums paid by the Government for supplies is expended under contract. Yet in the operations of the Government not only has there been no coordination between the contracting agencies of the various departments and independent establishments but there has been absolutely no coordination in many cases between branches of the same department. The Government has no standard form of contract. There is no law prescribing the language of a contract, no agency of the Government to tell what language shall be used. Each department has its own methods and forms, and in some of the big departments the several bureaus therein have different forms and different methods. It is impossible to estimate the great waste that has resulted from this condition of things and there is no more important need in all this coordination work than a revision of the Government's contracting activities.

The Board of Contracts and Adjustments has been organized to correct this serious condition. One of the most constructive results of the work of this board will be a contract manual which will serve all the contracting officers of the Government and will present to them the fundamental requirements of Government contracts.

Existing requirements of law governing contracts have also been given very careful study, and it is probable that recommendations will be made to Congress for legislation that will make procedures uniform for the various Government procuring agencies.

OTHER IMPORTANT COORDINATING ACTIVITIES.

Time will not permit discussion of the many other important coordinating activities like the Federal Board of Hospitalization, Federal Specifications Board, the coordination of the Government telephone and cable operations, the restriction, control, and coordination of Government printing plants and printing, nor to enter upon other fields of activity which are being cultivated diligently by the President's coordinating machinery. Only the fringe of these activities has been touched upon as yet, but certainly it is a field worth cultivating to the fullest extent. The report of the Chief Coordinator for the fiscal year just closed is in your hands, and you will find it not only informative but extremely interesting.

These coordinating agencies will continue to operate through this fiscal year, and more effectively than during the year just closed. If they accomplish nothing more than to develop among the various establishments of the Government that fealty and loyalty to the Government as a whole which is so necessary, and which has seemed so rare where the routine business of the Government is concerned, their existence and continued operation will be amply justified. The coordinating boards are your agencies, members of the business organization of the Government, composed of your personnel, who carry into their work for the General Government affection and loyalty for their own departments. They have found the experience broadening, and I wish it might so be that you all could matriculate in this hard-working coordinating college and win degrees for attainment along the lines of unified national interests. We will never reach the high standard of governmental efficiency for which we aim until we learn to think habitually and involuntarily in terms of United States rather than in terms of departments, bureaus, and divisions.

FINANCES FOR THE CURRENT YEAR.

The policy of economy, which so strikingly featured the history of the year just closed, will be the keynote of operations for this current year. I have here tables showing that the estimated revenues for the current year will be \$697,000,000 less than the expenditures the executive bureaus estimate they will make. There is, indeed, a balance of \$272,000,000 coming over from the last year, but as a matter of good business procedure there certainly should be left as much in the Treasury at the end of this current fiscal year for Treasury current operations as we received from 1922, so that our real problem is to provide for the apparent excess of expenditures of \$697,000,000. Certainly the problem is big enough to inspire our best efforts.

Revised estimate of receipts, fiscal year 1923.

Customs	\$350, 000, 000
Internal revenue	2, 200, 000, 000
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Miscellaneous receipts:	
Legislative	532, 700
State Department	5, 750, 400
Treasury Department	309, 009, 870
War Department	73, 756, 464
Panama Canal	12, 315, 000
Navy Department	5, 201, 000
Interior Department—	
Civil	15, 738, 490
Indians	21, 000, 000
Post Office Department	60, 000
Department of Agriculture	7, 133, 300

Miscellaneous receipts—Continued.

Department of Commerce-----	\$3, 421, 572
Department of Labor-----	4, 664, 500
Department of Justice-----	9, 155, 700
Independent offices—	
United States Veterans' Bureau-----	34, 470, 000
Housing Corporation-----	3, 443, 000
Other independent offices-----	108, 000
District of Columbia-----	17, 585, 315
Miscellaneous-----	490, 000
Total miscellaneous receipts-----	523, 825, 311
Total receipts-----	3, 073, 825, 311

Revised estimates of expenditures, fiscal year 1923.

Ordinary expenditures not subject to Executive control: Legis- lative-----	\$13, 643, 626
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Ordinary expenditures for operation of the routine business of
Government generally subject to Executive control:

Executive office-----	334, 645
State Department-----	16, 207, 193
Treasury Department-----	132, 356, 986
War Department, exclusive of Panama Canal-----	305, 236, 200
Panama Canal-----	7, 147, 673
Navy Department-----	349, 706, 000
Interior Department proper-----	42, 911, 429
Indian Service-----	32, 487, 682
Department of Agriculture, exclusive of "good roads"-----	60, 023, 100
Department of Commerce-----	19, 200, 360
Department of Labor-----	7, 192, 558
Department of Justice-----	4, 834, 450
Judicial-----	14, 979, 891
Independent offices—	
United States Veterans' Bureau-----	532, 168, 160
Shipping Board and Emergency Fleet Corporation-----	137, 031, 765
Federal Board for Vocational Education-----	5, 711, 042
All other-----	16, 825, 989
District of Columbia-----	23, 908, 012

1, 708, 263, 135

Deficiencies in postal revenue-----	36, 004, 566
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Operations in capital funds heretofore designated as ordinary ex-
penditures:

Railroad Administration and transportation acts-----	284, 453, 847
War Finance Corporation-----	¹ 100, 000, 000
	184, 453, 847

¹ Excess of credits, deduct.

Expenditures fixed by Congress not subject to modification by
Executive control:

Customs and internal-revenue refunds-----	\$52, 962, 195
Pensions-----	271, 850, 000
Good roads-----	125, 684, 000
Increase of compensation-----	38, 735, 173
	<u>489, 231, 368</u>

Total expenditures, exclusive of interest and principal of
the public debt and investments of trust funds----- 2, 431, 596, 542

Reduction in principal of public debt, payable from ordinary
receipts:

Sinking fund-----	284, 000, 000
Purchase of Liberty bonds from foreign repayments-----	31, 300, 000
Redemption of bonds and notes from estate taxes-----	5, 000, 000
Redemption of securities from Federal reserve bank fran- chise tax receipts-----	10, 000, 000

Total reduction in principal of public debt, payable from
ordinary receipts----- 330, 300, 000

Investment of trust funds:

Government life-insurance fund-----	26, 162, 000
Civil-service retirement fund and District of Columbia teachers' retirement fund-----	8, 200, 000
Total trust-fund investments-----	<u>34, 362, 000</u>

Interest on the public debt----- 975, 000, 000

Total expenditures, including interest and principal of
public debt and investments of trust funds----- 3, 771, 258, 542

The setting aside of a Budget reserve from appropriated funds, as was done last year, with attendant saving of millions, is not contemplated at this time, for it is believed that after the admonition of the Chief Executive and after the experience of last year patriotic Government servants who are charged with the administration of Government funds will by their faithful performance in view of existing conditions make such a course unnecessary. If the executive bureaus have really taken to heart the lesson in economy and have fully and unreservedly accepted it as a fixed policy of the administration and the Government, the record at the end of the first quarter of the present fiscal year will give evidence thereof.

The plan of a departmental general reserve, however, as distinguished from the Budget general reserve of last year, will be put into effect this year, and will be found very helpful, not only as a preventive of deficiency bills but as a medium for economies and actual savings, and department heads under such a plan will have under personal control through the year funds which are not mortgaged by actual obligations or approved departmental projects and will have available funds with which to meet unforeseen contin-

gencies. Information regarding this plan can be obtained on application to the Director of the Bureau of the Budget, who will call later upon the departments for reports showing the amount of reserve set up under the various appropriation items and the manner in which the reserve is being administered.

In the continued stressing of the need of economy it is not contemplated that there will be any sacrifice of efficiency. There can be no real efficiency without economy, while extravagance is the inseparable handmaid of inefficiency.

For this and the next year and all succeeding years "Economy with efficiency" should be the battle cry of the personnel of the business organization of the Government.

ESTIMATES FOR NEXT YEAR.

We are now confronted with the preparation of estimates for 1924, and here again the estimated Treasury receipts spell economy in capital letters. Your attention is invited to the fact that estimated receipts for the next fiscal year are approximately \$600,000,000 less than appropriations for the current year plus authorizations for expenditure not included in these appropriations:

Estimated receipts, fiscal year 1924.

Customs -----	\$350, 000, 000
Internal revenue -----	2, 350, 000, 000
Miscellaneous receipts:	
Legislative -----	555, 000
State Department -----	5, 770, 900
Treasury Department -----	322, 033, 981
War Department -----	34, 487, 240
Panama Canal -----	13, 612, 000
Navy Department -----	3, 044, 000
Interior Department—	
Civil -----	\$16, 011, 500
Indians -----	20, 708, 500
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	36, 720, 000
Post Office Department -----	60, 000
Department of Agriculture -----	7, 187, 500
Department of Commerce -----	3, 436, 550
Department of Labor -----	3, 803, 000
Department of Justice -----	9, 155, 700
Independent offices—	
United States Veterans' Bureau -----	\$35, 473, 000
Housing Corporation -----	4, 008, 000
Other -----	110, 000
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	39, 591, 000
District of Columbia -----	18, 500, 000
Miscellaneous -----	500, 000
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Total miscellaneous receipts -----	498, 456, 871
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Total receipts -----	3, 198, 456, 871

The conclusion is obvious. If there ever was a time when scientific estimating was needed, that time is now. May you approach your estimates with prayer and determination—prayer for intelligent guidance and determination to eliminate every nonessential and to restrict the essentials to the lowest point compatible with efficiency.

HONEST ESTIMATES.

A member of the business organization of the Government informs me that there is prevalent among some of the bureaus a feeling that if a bureau submits an honest, cut-to-the-bone estimate it will be reduced by the Bureau of the Budget and again by Congress—that is, the estimate would suffer from a cutting competition between the Budget Bureau and Congress. The Director of the Bureau of the Budget is acting for the President of the United States, has no policy of his own, but reflects the policy of the administration. One of his primary duties is to see that the business policy of the Government, approved by the President, is properly financed. If the Director of the Bureau of the Budget pares down an appropriation he does it with the approval of the President. What Congress may do is not the business of the estimating agencies of the executive bureaus. One of the most important and necessary things to be accomplished at this time, in the interest of the Government as a whole, is for the executive bureaus to establish a reputation for honest dealing with Congress.

The first estimate I submitted to Congress was an honest, minimum estimate, without one penny of padding. I was new at the business and went before the House Appropriations Committee as innocently and as guilelessly as a dove. I shudder now when I recall what they did to that carefully drawn, unpadded estimate. I can illustrate it perhaps by the experience of the man who was accustomed to arrive home late from his club in a highly inebriated condition. The first night he went home sober his dog bit him. And that was what Congress did to me. In submitting honest estimates you may get bitten, but it's worth it if the executive bureaus succeed by such a policy in rehabilitating themselves in the estimation of the congressional committees.

THE BUDGET BUREAU A NONPOLITICAL AGENCY.

There is one point that I wish to emphasize at this time, and that is that the Bureau of the Budget is in no sense of the word a political agency. In his address before the first semiannual meeting of the business organization of the Government General Dawes said: "The Bureau of the Budget must be impartial, impersonal, and nonpoliti-

cal," and of the many admirable statements made by him there is none more important and timely. The Budget movement in its inception, both in the country and in Congress, was absolutely non-political. The proposal for the establishment of a national Budget system was advocated by chambers of commerce and other commercial bodies and trade associations throughout the country regardless of political or geographical division. It was favored by both President Taft and President Wilson, and received indorsement in the platforms of all political parties. When the Budget proposal was before Congress experienced leaders of both parties served on the select Budget committees of the House and Senate, and in the preparation of the bill party lines were completely obliterated. The measure was advocated with equal enthusiasm on the floor of the House and the Senate by Democrats and Republicans, and it passed the Senate without a dissenting vote, while only three votes were recorded against it in the House. No other conception of the Budget Bureau than that of a nonpolitical, impersonal agency is proper, and any attempt to construe its purposes otherwise than for the general good of the country irrespective of party would be most unfortunate and disastrous, and seriously hamper its legitimate activities.

May I suggest to you, in closing, members of the business organization of the Government, that it is a privilege and an honor for us all to participate in this constructive work of revising the Government's routine business procedures, of installing adequate and economical methods, and of putting more real business into the Government's operations. The Director of the Bureau of the Budget wishes only to be helpful, and he needs and asks your honest and hearty support. The policy of the Bureau of the Budget will be coordination and not domination, cooperation and not compulsion. Be friendly, for he needs every friend he can get. Every proponent of a project which feels the edge of his pruning knife will call him an obstructionist, while the great mass of the people who pay taxes and have no particular projects will think he is incompetent because he didn't cut deeper. His task is important and trying, and he will need your help.

As a fitting climax to this meeting, and following the admirable custom instituted by my predecessor, I now ask you, the representatives of the business organization of the Government here assembled, to rise and pledge anew your support to the President and his business policies.

Mr. President, under your wise and constructive direction, so ably supplemented by the courage and vision of the former Director of the Bureau of the Budget, the new budgetary and coordinating

procedures have been firmly installed as an integral and indispensable part of the Government machinery; and with the inspiration of your leadership and the vigor of your authority, we guarantee new and signal triumphs in the field of governmental "Economy with efficiency."

The PRESIDENT. Permit me, while you are standing, to thank General Lord and you for your pledge of support and to thank the heads of Cabinet and independent departments for their presence and interest in our project. In a way it may sound prosaic and sometimes a little wearying to be talking about economy. But you are engaged in the most important work that can be pursued for your Government. No less than a score of citizens of foreign governments have said to me, "We are watching your work of reducing your expenditures in order to apply the system in our countries."

But more important than this is the effect it is having in setting an example to the States and municipalities. There is not a menace in America equal to the mounting State, county, and municipal expenditures undertaken without sense of financial responsibility. This practice leaves us in a state of no one knowing whither we are going in expenditures.

It is a great work, men and women, and I congratulate you on the work done so far and bid you go on to greater achievements under the leadership of General Lord.



